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PP RUEHWEB
DE RUEHB #0675/01 1001902
ZNY CCCCC ZZH
P 101902Z APR 07 ZDK CTG RUEHZC SVC #698
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC PRIORITY 7780
INFO RUEHAC/AMEMBASSY ASUNCION PRIORITY 6086
RUEHRL/AMEMBASSY BERLIN PRIORITY 1056
RUEHBO/AMEMBASSY BOGOTA PRIORITY 1542
RUEHBR/AMEMBASSY BRASILIA PRIORITY 5945
RUEHCV/AMEMBASSY CARACAS PRIORITY 1172
RUEHLP/AMEMBASSY LA PAZ PRIORITY 4574
RUEHPE/AMEMBASSY LIMA PRIORITY 2018
RUEHLO/AMEMBASSY LONDON PRIORITY 1206
RUEHMD/AMEMBASSY MADRID PRIORITY 1824
RUEHMU/AMEMBASSY MANAGUA PRIORITY 0095
RUEHME/AMEMBASSY MEXICO PRIORITY 1345
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 6344
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0503
RUEHZP/AMEMBASSY PANAMA PRIORITY 0282
RUEHFR/AMEMBASSY PARIS PRIORITY 1239
RUEHQH/AMEMBASSY QUITO PRIORITY 0895
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 0328
RUEHKO/AMEMBASSY TOKYO PRIORITY 0821
RUEHSO/AMCONSUL SAO PAULO PRIORITY 3235
RUEAIIA/CIA WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUCPDOC/USDOC WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BUENOS AIRES 000675

SIPDIS

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TREASURY FOR NANCY LEE, AJEWEL, WBLOCK, LTRAN
NSC FOR JOSE CARDENAS, ROD HUNTER
PASS FED BOARD OF GOVERNORS FOR RANDALL KROZNER, PATRICE
ROBITAILLE
PASS EXIM BANK FOR MICHELE WILKINS
PASS OPIC FOR JOHN SIMON, GEORGE SCHULTZ, RUTH ANN NICASTRI
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER

E.O. 12958: DECL: 04/09/2017

TAGS: [EFIN](#) [ECON](#) [EINV](#) [AR](#) [SP](#) [KSTC](#) [KFPC](#)

SUBJECT: SPANISH AMBASSADOR ESTRELLA ON REPSOL, RADARS AND
PARIS CLUB

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Classified By: Ambassador E.A. Wayne for Reasons 1.4 (b,d)

11. (U) This is an action request. Please see paragraph 8.

Summary

12. (C) Ambassador met April 4 with Spanish Ambassador to Argentina Estrella (protect). Estrella had recently been the target of false leaks to the daily paper Clarin which alleged that President Kirchner had privately asked Estrella for more investment by Spanish-owned energy firm Repsol-YPF in Argentina and for an Argentine equity stake in the company. The Spaniard explained that Kirchner had only welcomed Repsol-YPF's presence and confirmed that he did not support re-nationalization of the firm's assets in Argentina. The rest of the false report was likely supplied by Secretary of Energy Cameron or others in the Planning Ministry, who believe Repsol is not investing aggressively enough and who favor a growing Argentine presence in the nation's foreign-dominated oil and gas sector. Estrella also confirmed that Spain intended to treat in the Paris Club the \$680 million of Argentina's debt to Spain not covered by the recent bilateral agreement and that, while Spain had promised

to seek creative debt solutions, it would not break Paris Club solidarity. Finally, he briefed on a Spanish supply of radars to Argentina and said the transfer of some older US-made radars would require US approval. Please see action request, para 8. End Summary

¶3. (C) Highlights of the Ambassador's April 4 conversation with Spanish Ambassador Rafael Estrella Pedrosa included:

Unhappiness with Repsol-YPF

¶4. (C) On March 26, Estrella paid his first call on President Kirchner. After the meeting, the Spanish Ambassador told the press that the President had told him that he does not favor the re-nationalization of Spanish-owned Repsol-YPF, contrary to earlier press reports that some in the government wanted to increase Argentine presence in the company. On March 30, a column in the Argentine daily Clarin claimed, with supposed presidential quotes, that Kirchner had told the Spaniard that Repsol-YPF was not investing enough in its Argentine concessions and had encouraged an Argentine equity stake in the firm. Estrella said this story was completely false and that he had immediately called Clarin to complain (the Ambassador recounted our own similar problems with Clarin articles). He said President Kirchner had made no complaints about Repsol, nor had he discussed the question of Argentine capital, but that he had asked Estrella to talk to Planning Minister De Vido.

¶5. (C) In Estrella's subsequent meeting with De Vido, the Planning Minister talked of his discussions with Repsol-YPF about future exploration and investment in production, but

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had never mentioned the possibility of losing concessions or of increasing the presence of Argentine capital in Repsol-YPF. Subsequently, the false version of events appeared in Clarin. The Spanish Ambassador speculated that Energy Secretary Daniel Cameron or others in the Planning Ministry were the like source of the stories. They had complained previously that Repsol-YPF's investments in its Argentine concessions were inadequate, and they had also been talking to Argentine-owned energy company Bridas and to prominent local banker Jorge Brito about investing in Repsol-YPF. The Spanish Ambassador believes that some in the Planning Ministry want to increase local capital and presence in the Argentine energy sector at the expense of multinationals and that some favor an increasing state role. There is even speculation that Planning Minister De Vito may be looking to become the head of the nascent government energy company ENARSA.

¶6. (SBU) Note: In 1999, Spanish energy major Repsol merged with Argentina's Yacimientos Petroliferos Fiscales (YPF), the formerly state-owned oil company. The combined entity is now one of the world's 10 largest private oil enterprises and its Argentine integrated exploration, development, refining and pipeline activities contribute about one third of Repsol-YPF's earnings. Repsol-YPF Chairman had announced in May 2006 that the company was considering a float of up to 20% of its stake in YPF (valued at Euro 2.5 billion) on the Buenos Aires stock exchange. End Note

Spanish Radars

¶7. (C) Estrella said that Kirchner had asked him to see if Spain could help provide back-up civilian air control radars quickly to bolster the faltering system supporting Buenos Aires' two main airports. (The main radar at the international airport was hit by lightning recently and the system has been plagued by technical and human error, resulting in more delays than usual and many complaints by

travelers, pilots and air controllers.) Estrella called the Spanish President's chief of staff and agreement was subsequently reached for Spain to quickly provide a back-up system. (Comment: This version generally tracks with Embassy's own understanding of the situation. We understand that some used radars are being delivered from Spain, but still have not arrived, or at least have not yet been installed. End Comment).

¶ 8. (C) Estrella said that Spain also offered to provide several used 2D military radars to Argentina for one peso. But as these are US made radars, the USG would need to approve the transfer. Comment: Argentina Defense Minister Garre has also queried Ambassador about US regulatory approval of this transfer. Could Department and Embassy Madrid please provide information of the status of the Spanish request.

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Paris Club Debt

¶ 9. (C) On March 23, Spain's Council of Ministers approved a restructuring deal with the GoA which covers US\$982 million in debt that Spain had provided shortly before Argentina's economic collapse. Ambassador Estrella confirmed that approximately \$680 million in debt contracted earlier would be considered for treatment in the Paris Club context. He said he had promised Kirchner that Spain would work to find a creative Paris Club solution given Kirchner's opposition to an IMF program, but that Spain had already rebuffed a proposal from the GoA that part of its debt be swapped for assistance/investment in Argentina's education sector. Comment: Dutch Ambassador noted that in EU meetings here, the Spanish and others are urging Paris Club flexibility. End comment.

Civil Aviation

¶ 10. (C) Estrella said that he continues to encounter "strange" commercial dealings in Argentina. One Spanish airline company, Air Europa, had been cleared to take over the routes given up by failed company Air Madrid, but days before the first flight was told that all the papers were not correctly filed. But the government would not tell the airline what papers were incorrect. After intervention by the Spanish government, it was discovered that the GoA wanted the Spanish carrier to take over the routes and assets of the poor-performing, money-losing, government-owned domestic carrier LADA, as part of the deal. The Spanish carrier has so far refused.

Natural Gas

¶ 11. (C) The Argentina Government has shown flexibility on one other important commercial issue. Cabinet Chief Alberto Fernandez promised Estrella several weeks ago that the GOA would approve a natural gas consumer price increase; Spanish interests have a large role in the natural gas distribution company, Natural Gas BAN. The rate increases were formally announced on April 9.

Comment

¶ 12. (C) Estrella is off to a strong start here managing a major commercial and political relationship. In the energy sector, clearly some in the GoA would like a way to get back more control either directly through building up national oil

company ENARSA or indirectly by increasing the presence of
more pliant domestic capital and companies.

WAYNE